

Multiple Agency Fiscal Note Summary

Bill Number: 1362 HB	Title: Property tax revenue growth
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	183,300,000	183,300,000	183,300,000	571,000,000	571,000,000	571,000,000	1,013,700,000	1,013,700,000	1,013,700,000
Total \$	183,300,000	183,300,000	183,300,000	571,000,000	571,000,000	571,000,000	1,013,700,000	1,013,700,000	1,013,700,000

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		211,600,000		666,000,000		1,187,000,000
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Local Gov. Total		211,600,000		666,000,000		1,187,000,000

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	1.6	344,100	344,100	344,100	1.0	209,800	209,800	209,800	1.0	209,800	209,800	209,800
Total \$	1.6	344,100	344,100	344,100	1.0	209,800	209,800	209,800	1.0	209,800	209,800	209,800

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Final 2/20/2021
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Department of Revenue Fiscal Note

Bill Number: 1362 HB	Title: Property tax revenue growth	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 50 - Property Tax	46,400,000	136,900,000	183,300,000	571,000,000	1,013,700,000
Total \$	46,400,000	136,900,000	183,300,000	571,000,000	1,013,700,000

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.1	1.0	1.6	1.0	1.0
Account					
GF-STATE-State 001-1	239,200	104,900	344,100	209,800	209,800
Total \$	239,200	104,900	344,100	209,800	209,800

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☒ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/08/2021
Agency Preparation: Mark Studer	Phone: 360-534-1507	Date: 02/16/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/16/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/20/2021

Request # 1362-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

CURRENT LAW

RCW 84.55.010 limits levy increases to the levy growth limits, often referred to as the “101% levy limit” or the “1% growth limit”, plus an increase in levy capacity by additional amounts for the following add-ons:

- New construction;
- Construction of wind turbine, solar, biomass, and geothermal facilities;
- Improvements to property; and
- Increased value of state-assessed property.

RCW 84.55.005 defines inflation and limit factor for purposes of levy growth limits.

- Inflation means the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic analysis of the Federal Department of Commerce by September 25th of the year before the taxes are payable;
- Limit factor means:
 - For taxing districts with a population of less than 10,000 in the calendar year prior to the assessment year, 101%; or
 - For all other districts, the lesser of 101% or 101% plus inflation; or
 - For taxing districts who adopt a substantial need resolution (authorized under RCW 84.55.0101), up to 101% if the IPD is less than 1%.

PROPOSED LAW

Revises the 101% levy limit on regular property taxes in chapter 84.55 RCW.

- Redefines “inflation” to mean the annual percentage increase in the consumer price index for all urban consumers (CPI-U) in the western region for all items as provided for the most recent 12-month period by the Bureau of Labor Statistics of the United States Department of Labor by July 25th of the year before the year the taxes are payable.
- Redefines “limit factor” to mean 100% plus population change and inflation, but not to exceed 103%.
- Defines “population change” to mean the percent increase in the population of a taxing district between the two most recent years provided in the official population estimates published by the Office of Financial Management in April of the year before the taxes are payable;
 - If population decreases the population change in zero;
 - Additional guidance is provided to determine the population change for districts in more than one county or city.
- Repeals RCW 84.55.0101 that allows taxing districts with regular levies and a substantial need to adopt a resolution to use the growth factor of 101% instead of the IPD if the IPD is less than 1%.

EFFECTIVE DATE

This bill takes effect beginning with property taxes collected in Calendar Year 2022.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- Based on current forecasts a growth limit of 3 percent was used for all years estimated.
- The levy calculation process for the \$5.90 aggregate limit prorates local taxing districts. Negative local impacts due to prorationing could be less if taxing districts participate in inter-local agreements to reduce certain taxing districts tax rate.
- Taxing districts that can protect a portion of their levy outside the \$5.90 aggregate limit will protect their levy to the maximum extent possible.

- No prorationing occurs under the \$10 constitutional aggregate limit due to the increase in the limit factor for the state property tax levy.
- Based on five years of state property tax collections, 53.24 percent of state property tax collections occur in April and 46.76 percent occur in October. When converting from calendar year to fiscal year, this estimate assumes revenues gains and losses follow this trend.

DATA SOURCES

- Economic and Revenue Forecast Council, November 2020 forecast
- Office of Financial Management, April 1, 2020 Population Estimates
- Office of Financial Management, State Population Forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State Levy Calculations for Property Taxes Due in 2021
- County assessor data

REVENUE ESTIMATES

The Economic and Revenue Forecast Council predicts the state property tax levy remains below the \$3.60 limit throughout the 2023-25 Biennium.

This bill increases state revenues by an estimated \$46.4 million in the 6 months of impacted collections in Fiscal Year 2022, and by \$136.9 million in Fiscal Year 2023, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$53.3 million in the 6 months of impacted collections in Fiscal Year 2022, and by \$158.3 million in Fiscal Year 2023, the first full year of impacted collections.

PROPERTY TAX SHIFTS

This legislation results in no state or local property tax levy shifts.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 -	\$ 46,400
FY 2023 -	\$ 136,900
FY 2024 -	\$ 233,700
FY 2025 -	\$ 337,300
FY 2026 -	\$ 447,900
FY 2027 -	\$ 565,800

Local Government, if applicable (cash basis, \$000):

FY 2022 -	\$ 53,300
FY 2023 -	\$ 158,300
FY 2024 -	\$ 272,100
FY 2025 -	\$ 393,900
FY 2026 -	\$ 524,400
FY 2027 -	\$ 662,600

Increasing the limit factor will increase revenue for most taxing districts statewide. However, prorationing will occur in a few smaller hospital, fire, park and cemetery districts under the \$5.90 aggregate limit. These districts will lose

approximately \$100 thousand in Calendar Year 2022 and by Calendar Year 2027 the losses increase to \$1.8 million. Based on the forecast the losses will occur mostly in Adams, Chelan, Douglas, Ferry, Garfield, Grant, Klickitat, and Okanogan Counties.

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

State Government, Impact on Revenues (\$000)

CY 2022 -	\$ 87,200
CY 2023 -	\$ 180,500
CY 2024 -	\$ 280,400
CY 2025 -	\$ 387,200
CY 2026 -	\$ 501,200
CY 2027 -	\$ 622,600

State Government, (\$000), Shift of Tax Burden: None.

Local Government, Impact on Revenues (\$000)

CY 2022 -	\$ 100,200
CY 2023 -	\$ 209,400
CY 2024 -	\$ 327,100
CY 2025 -	\$ 452,600
CY 2026 -	\$ 587,500
CY 2027 -	\$ 728,500

Local Government, (\$000), Shift of Tax Burden: None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

FIRST YEAR COSTS:

The Department will incur total costs of \$239,200 in Fiscal Year 2022. These costs include:

Labor Costs – Time and effort equates to 2.13 FTEs.

- Amend four administrative rules.
- Update forms, publications, and training materials.
- Respond to questions and provide technical advice.
- Increase audits of levies from all counties to ensure proper calculation and application.

SECOND YEAR COSTS:

The Department will incur total costs of \$104,900 in Fiscal Year 2023. These costs include:

Labor Costs – Time and effort equates to 1.0 FTEs.

- Respond to questions and provide technical advice.
- Increase audits of levies from all counties to ensure proper calculation and application.

ONGOING COSTS:

Ongoing costs for the 2023-2025 Biennium equal \$209,800 and include similar activities described in the second year costs. Time and effort equates to 1.0 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.1	1.0	1.6	1.0	1.0
A-Salaries and Wages	141,100	65,900	207,000	131,800	131,800
B-Employee Benefits	50,800	23,700	74,500	47,400	47,400
E-Goods and Other Services	26,500	11,100	37,600	22,200	22,200
G-Travel	6,000	3,000	9,000	6,000	6,000
J-Capital Outlays	14,800	1,200	16,000	2,400	2,400
Total \$	\$239,200	\$104,900	\$344,100	\$209,800	\$209,800

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
MGMT ANALYST4	70,956	0.0		0.0		
PROPERTY AND ACQUISITION	65,928	2.0	1.0	1.5	1.0	1.0
SP 4						
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.1		0.0		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		2.1	1.0	1.6	1.0	1.0

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-19-005, titled: "Definitions", WAC 458-19-020, titled: "Levy limit-Method of calculation", WAC 458-19-030, titled: "Levy limit-Consolidation of districts", and WAC 458-19-035, titled: "Levy limit-Annexation".

Request # 1362-1-1

Persons affected by this rule-making would include taxing districts and property owners.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1362 HB	Title: Property tax revenue growth
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☒ Cities: increase in property tax revenue

☒ Counties: increase in property tax revenue

☒ Special Districts: net increase in property tax revenue per taxing district type, some taxing districts will experience decreased revenue

☒ Specific jurisdictions only: County Road, Library, Hospital, Fire, Park, Port, EMS, Cemetery, Flood Zone, Ferry, Regional Transit Districts

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☐ Legislation provides local option:

☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2022	FY 2023	2021-23	2023-25	2025-27
City	15,990,000	47,490,000	63,480,000	199,800,000	356,100,000
County	11,726,000	34,826,000	46,552,000	146,520,000	261,140,000
Special District	25,584,000	75,984,000	101,568,000	319,680,000	569,760,000
TOTAL \$	53,300,000	158,300,000	211,600,000	666,000,000	1,187,000,000
GRAND TOTAL \$	2,064,600,000				

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/17/2021
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/08/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/17/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/20/2021

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill will modify the annual regular property tax revenue growth limit from 1 % to up to 3%.

Section 1, amends RCW 84.55.005: [Limitations upon regular property tax: definitions] to redefine “inflation,” and “limit factor,” and define “population change.”

Section 2, (new section) and section 3: repeal RCW 84.55.0101 and 2007 sp.s. c 1 s 2 & 1997 c 3 s 204 regarding authorization of taxing districts to approve an ordinance or resolution to establish a limit factor of 101 % or less.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill will not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

It is unknown what local governments will utilize this local option.

According to the Dept. of Revenue, which assumes all local governments utilize the local option, this bill increases local government revenues by an estimated \$53.3 million in the 6 months of impacted collections in Fiscal Year 2022, and by \$158.3 million in Fiscal Year 2023, the first full year of impacted collections.

FY 2022 -	\$ 53,300,000
FY 2023 -	\$ 158,300,000
FY 2024 -	\$ 272,100,000
FY 2025 -	\$ 393,900,000
FY 2026 -	\$ 524,400,000
FY 2027 -	\$ 662,600,000

Based upon estimations of net impact by the Dept. of Revenue, approximately 22% will go to counties, 30% will go to cities, and 48% will go to special purpose districts.

COUNTIES

FY 2022 -	\$ 11,726,000
FY 2023 -	\$ 34,826,000
FY 2024 -	\$ 59,862,000
FY 2025 -	\$ 86,658,000
FY 2026 -	\$ 115,368,000
FY 2027 -	\$ 145,772,000

CITIES

FY 2022 -	\$ 15,990,000
FY 2023 -	\$ 47,490,000
FY 2024 -	\$ 81,630,000
FY 2025 -	\$ 118,170,000
FY 2026 -	\$ 157,320,000
FY 2027 -	\$ 198,780,000

SPECIAL PURPOSE DISTRICTS

FY 2022 -	\$ 25,584,000
FY 2023 -	\$ 75,984,000
FY 2024 -	\$ 130,608,000

FY 2025 - \$ 189,072,000
FY 2026 - \$ 251,712,000
FY 2027 - \$ 318,048,000

Increasing the limit factor will increase revenue for most taxing districts statewide. However, prorationing will occur in a few smaller hospital, fire, park, and cemetery districts under the \$5.90 aggregate limit. These districts will lose approximately \$100,000 in Calendar Year 2022 and by Calendar Year 2027 the losses increase to \$1.8 million. Based on the forecast the losses will occur mostly in Adams, Chelan, Douglas, Ferry, Garfield, Grant, Klickitat, and Okanogan Counties.

Losses will occur, however, no local government type when considered in aggregate, (whether taxing district, city, nor county) will experience a net loss in revenue.

ASSUMPTIONS

See the Dept. of Revenue's Fiscal Note Assumptions

The local option will be utilized to the full extent: a 3% limit for all local governments.

SOURCES

Washington State Dept. of Revenue

Association of Washington Cities

Washington Association of County Officials